

Section 17267.2-1 is adopted to read:

§17267.2-1 Recapture of deduction for qualified property previously used in an enterprise zone.

(a) In General. Section 17267.2 of the Revenue and Taxation Code allows a taxpayer to elect to expense a portion of the cost of Section 17267.2 property (as defined in Section 17267.2(d)(1)) for the taxable year in which the property is placed in service. If an item of the taxpayer's Section 17267.2 property ceases to be used exclusively in the taxpayer's trade or business in the enterprise zone before the close of the second taxable year after the property was placed in service, the taxpayer is required to recapture the amount previously expensed for that item. This amount shall be included in income in the taxable year in which the property ceases to be so used.

(b) Basis Adjustment. As of the first day of the taxable year in which the recapture event occurs, the basis of the Section 17267.2 property shall be increased by the recapture amount. For an item of Section 17267.2 property that is subject to an allowance for depreciation under Section 17250 of the Revenue and Taxation Code, the increase in basis is depreciated over the remaining useful life of the Section 17267.2 property beginning on the first day of the taxable year in which the recapture event occurs.

Note: Authority cited: Section 19503, Revenue and Taxation Code.

Reference: Section 17267.2, Revenue and Taxation Code.

Section 24356.7-1 is adopted to read:

§24356.7-1 Recapture of deduction for qualified property previously used in an enterprise zone.

(a) In General. Section 24356.7 of the Revenue and Taxation Code allows a taxpayer to elect to expense a portion of the cost of Section 24356.7 property (as defined in Section 24356.7(c)(1)) for the income year in which the property is placed in service. If an item of the taxpayer's Section 24356.7 property ceases to be used exclusively in the taxpayer's trade or business in the enterprise zone before the close of the second income year after the property was placed in service, the taxpayer is required to recapture the amount previously expensed for that item. This amount shall be included in income in the income year in which the property ceases to be so used.

(b) Basis Adjustment. As of the first day of the income year in which the recapture event occurs, the basis of the Section 24356.7 property shall be increased by the recapture amount. For an item of Section 24356.7 property that is subject to an allowance for depreciation under Section 24349 of the Revenue and Taxation Code, the increase in basis is depreciated over the remaining useful life of the Section 24356.7 property beginning on the first day of the income year in which the recapture event occurs.

Note: Authority cited: Section 19503, Revenue and Taxation Code.

Reference: Section 24356.7, Revenue and Taxation Code.